

Item 3.9b

David Ogilvie
Policy Manager
Customs & Indirect Tax Directorate
HMRC
3C/09 100 Parliament Street
London SW1A 2BQ

21 June 2018

Dear David,

Re: Children's services trusts (CSTs)

Thank you for your letter of 8 May 2018. While there is still a strong claim that trusts will always be making a single taxable supply to the local authority, what you are suggesting, on the whole, appears to be a workable solution.

The disadvantage is that it is an 'each case on its merits' approach, which lacks the comfort and certainty that we would all want. I think it is important to flesh out how HMRC proposes to calculate whether the OFSTED regulated services form the 'principal element of the supply', given that the entire service is likely to be provided for a single price and it is up to the CST to determine how it will deliver the agreed outcomes. It is also important to ensure that, even on a case-by-case basis, the 'rules' are applied consistently.

If it transpires that the proposals give rise to difficulties – and irrecoverable VAT – in practice, then we may wish to revisit the position. Ultimately, if all CSTs are able to treat their supplies as taxable, then no one will really mind how it is achieved.

Yours sincerely,

Mike Revis
Chair – CIPFA VAT Committee

Cc Mark Jenkins
Senior Editor
CIPFA
T: 020 7543 5678
E: mark.jenkins@cipfa.org